



# ANNUAL REPORT

For the Year Ended  
December 31, 1937

*To the Stockholders of  
American Stores Company:*

The consolidated balance sheet and statement of consolidated income and surplus showing the financial condition of your company at December 31, 1937 and the results from operations for the year 1937 are presented herewith, accompanied by the report of our auditors, Barrow, Wade, Guthrie & Co.

Net earnings for the year, after providing for depreciation, Pennsylvania chain store tax and Federal and State income taxes, amounted to \$495,634. or \$.38 per share on 1,301,320 shares of common stock outstanding in the hands of the public at the year end. This compares with \$2,045,586. or \$1.57 per share on the same number of shares for the year 1936.

The earnings for the year 1937 were adversely affected by the enactment of the Pennsylvania chain store tax law, a considerable increase in Social Security taxes, and higher wages and operating expenses generally. The Pennsylvania chain store tax law, which imposes a graduated annual license fee ranging from \$1.00 for one store to \$500. per store when more than 500 stores are in operation, became effective June 5, 1937. The constitutionality of this act is now being contested in the courts of Pennsylvania. Pending final decision, however, a reserve of \$800,571. has been provided for this tax, of which \$485,218.13 was charged against earnings for the year; the balance, or \$315,352.87, is carried as a deferred charge to operations for the five months ended May 31, 1938. In view of the unusually heavy increase in taxes and higher operating costs, the management was unable to change its merchandising policies sufficiently soon to adjust itself to these charges.

Sales for the year amounted to \$114,565,593. as compared with \$113,387,802. for the year 1936. At the year end the company had in operation 2,620 stores as compared with 2,816 at the end of the preceding year. The substantial reduction in the number of stores is in line with the policy of consolidating retail stores into fewer and larger units. In order to meet a growing demand for self-service markets, a number of such units were opened during the year under the name of Acme Markets. These markets are strategically located and provide, where possible, parking facilities for the convenience of customers. Further expansion of this system of stores is planned.

At the end of the year your company and its subsidiaries had no long term commitments outstanding and such commitments as they had were at or near prevailing market prices. The risks in this connection are greatly reduced in our business, due to the quick turnover of inventories.

In behalf of the Board of Directors, I wish to express appreciation of the support and co-operation of our employees and stockholders during the past year.

Respectfully submitted,

**WILLIAM PARK,**  
President.

February 26, 1938.

# AMERICAN STORES COMPANY

and Subsidiary Companies

## Consolidated Balance Sheet

December 31, 1937

ASSETS	
Current Assets	
Cash.....	\$ 4,313,145.52
U.S. Government and Other Marketable Securities—at cost.....	2,531,877.80
(Market Value \$2,149,470.)	
Accounts Receivable:	
Due from Relief Agencies.....	\$ 124,989.35
Other Trade Accounts.....	175,838.24
Miscellaneous Accounts.....	74,670.82
	375,498.41
Inventories (Quantities and condition determined by Companies— valued at lower of cost or market).....	12,051,867.15
Total Current Assets.....	19,272,388.88
Miscellaneous Investments—at cost.....	16,867.29
Loans to Employees—with common stock of Company as collateral —less reserve.....	203,925.51
Balances in closed banks—less reserve.....	28,785.53
Fixed Assets	
Land, Buildings, Machinery, Equipment, Fixtures, etc.—at cost.....	\$ 20,593,512.04
Less: Reserve for Depreciation.....	9,258,777.31
	11,334,734.73
Goodwill.....	1.00
Deferred Charges	
Prepaid Insurance, Taxes, etc.....	\$ 412,135.05
Pennsylvania Chain Store Tax.....	315,352.87
	727,487.92
	<u>\$ 31,584,190.86</u>
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Charges.....	\$ 1,860,782.73
Pennsylvania Chain Store Tax.....	800,571.00
Reserve for Federal and State Taxes.....	573,042.71
Total Current Liabilities.....	3,234,396.44
Reserve for Contingencies.....	455,294.56
Capital and Surplus	
Common Stock—no par value	
1,500,000 shares authorized	
1,400,000 shares issued.....	\$ 19,374,156.46
Earned Surplus.....	12,040,452.71
	31,414,609.17
Less: Treasury Stock—98,680 shares..	3,520,109.31
	27,894,499.86
	<u>\$ 31,584,190.86</u>

# AMERICAN STORES COMPANY

and Subsidiary Companies

## Statement of Consolidated Income and Surplus

*for the Year Ended December 31, 1937*

### INCOME ACCOUNT

Sales .....		\$114,565,593.24
Cost of Merchandise Sold.....		<u>92,436,739.16</u>
Gross Profit.....		22,128,854.08
Wages, Rents, Advertising, Operating and Administrative Expenses .....	\$ 20,248,420.43	
Pennsylvania Chain Store Tax.....	485,218.13	
Depreciation.....	<u>931,809.23</u>	<u>21,665,447.79</u>
Profit from Operations .....		463,406.29
Other Income		
Income from Investments .....	109,486.26	
Profit on Sale of Equipment, etc.—net.....	13,512.91	
Miscellaneous.....	<u>7,728.74</u>	<u>130,727.91</u>
Profit before Income Taxes .....		594,134.20
Reserve for Federal and State Income Taxes .....		<u>98,500.00</u>
Net Income.....	\$	<u><u>495,634.20</u></u>

### EARNED SURPLUS

Balance—December 31, 1936 .....	\$ 12,774,393.05
Refunds of Processing Taxes applicable to prior years, net of Federal and State Taxes payable thereon.....	71,745.46
Net Income for year 1937.....	<u>495,634.20</u>
	13,341,772.71
Less: Dividends on Common Stock.....	<u>1,301,320.00</u>
Balance—December 31, 1937.....	<u><u>\$ 12,040,452.71</u></u>

**BARROW, WADE, GUTHRIE & CO.**

**ACCOUNTANTS AND AUDITORS**

(ESTABLISHED 1883)

GIRARD TRUST BUILDING

SOUTH PENN SQUARE

PHILADELPHIA, PA.

*To the Board of Directors,  
American Stores Company,  
Philadelphia, Pa.*

We have made an examination of the consolidated balance sheet of American Stores Company and its subsidiary companies as at December 31, 1937, and of the statement of consolidated income and surplus for the year so ended. In connection therewith, we examined or tested accounting records of the Companies and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statement of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained during the year under review, the consolidated financial position of the Companies at December 31, 1937, and the combined results of their operations for the year ended that date.

**BARROW, WADE, GUTHRIE & CO.,**

*Auditors.*

Philadelphia, Pa.  
February 24, 1938.

# *American Stores Company*

## OFFICERS

<i>President</i> .....	William Park
<i>Vice-President</i> .....	Robert H. Crawford
<i>Vice-President and General Manager</i> .....	James K. Robinson
<i>Vice-President and Treasurer</i> .....	Wm. M. M. Robinson
<i>Vice-President and Secretary</i> .....	E. J. Flanigan
<i>Assistant Treasurer</i> .....	Wm. Gould
<i>Assistant Secretary</i> .....	J. V. Keers

## DIRECTORS

Samuel Robinson	William Park
Robert H. Crawford	James K. Robinson
John Eagleson	Wm. M. M. Robinson
E. J. Flanigan	Joseph Gilfillan
John M. Hancock	Wm. Gould